

Shareholder Update

STORIES OF STRENGTH

DECEMBER 2020



Susan Paterson, Chair

A WORD FROM THE CHAIR AND CEO

Dear Shareholder

With Christmas nearly upon us and after the challenges faced in the 2020 year, we are looking forward to a more settled 2021.

COVID-19 has made for a difficult year, however, we are pleased with our progress in the year to date. We have seen positive signs of economic activity with a number of new projects and longer-term contracts secured. We remain focussed on optimising customer service and continuing to achieve further structural cost savings.

On 17 December 2020, we provided a trading update and 1H21 guidance to the market. Revenue for the first five months of the FY21 financial year to date (to end-November 2020) is tracking slightly lower than the same period last year and pleasingly, November revenue was back in line with the prior year.

Earnings Before Interest and Tax (EBIT) is ahead of the prior comparative period, as we realise benefits from cost reduction initiatives and gains from sub-leasing properties.

For the half year ending 31 December 2020, based on trading to date and after adjusting for the gain on the sale of the Gisborne property and lease asset impairment reversals, Steel & Tube expects to report normalised EBIT (post NZ IFRS-16) of between \$6.5 - \$7.5m, up from the prior year normalised EBIT of \$5.7m.¹

The improved earnings coupled with ongoing working capital discipline has enabled Steel & Tube to deliver robust operating cashflows. At the end of November 2020, the Group held cash of approximately \$24m (up from \$7m net cash at 30 June 2020) with zero debt.

Whilst some working capital impact is expected in December to support seasonal inventory holdings, we expect to report a strong cash position for the half year ending 31 December 2020. We are also negotiating the sale of Steel & Tube's remaining property as part of our property divestment programme.

We are executing on our key strategic initiatives which is improving focus and delivering structural efficiencies. Our strong balance sheet and a growing digital platform provide us with greater resilience to navigate through these uncertain times.

The company is now well placed for the future. We have secured a solid pipeline of project work and are well positioned to continue our current performance trends.



Mark Malpass, CEO

¹ Normalised EBIT excludes non trading adjustments and unusual transactions including gain/losses on property, impairments and restructuring costs. Steel & Tube believes that excluding these transactions from normalised earnings can assist users in forming a view of the underlying performance of the Group.

To date, the current supply chain and port congestion difficulties have not significantly impacted the business but this remains an ongoing focus.

The vision of a digitally-enabled business is well on track, with approximately 3,000 customers registered on the webstores and this is expected to grow further over the remainder of FY21. Net Promoter Scores, which are a measure of customer satisfaction, are continuing to rise as we focus on improving service delivery and fulfilment, technical support and sales and brand marketing initiatives.

At the start of the FY21 financial year, we put in place a clear strategy to guide our actions going forward and we shared this with shareholders in our Annual Report and at our annual meeting. We are already making good progress with initiatives under each of our five key focus areas and you can read about some of our projects in this newsletter.

Our organisation, while smaller, is engaged and focussed on priority areas of sales and operational disciplines.

As one of New Zealand's largest steel providers and distributors we acknowledge our responsibilities to manage our business

in line with the expectations of our stakeholders. We undertake a wide range of Environmental, Social and Governance (ESG) initiatives which are focused on adding value for all our stakeholders and also reducing our environmental impact.

As a construction material, steel is safe, strong and low waste. It is the ideal circular economy material - infinitely recyclable without product degradation and easily reused and repurposed. Steel offers many benefits – it is made using predominantly renewable energy sources, there is less construction waste and it lasts for longer.

As we come to the end of the 2020 year, we have been pleased to have reached a resolution on the long standing Commerce Commission case, with the Court of Appeal dismissing the Commerce Commission appeal and reducing the fine imposed on Steel & Tube to \$1.56 million (previously \$2 million). The Commerce Commission has confirmed that it will not be appealing this decision. As we have previously stated, the judgement has no impact on Steel & Tube's current or future financial results. We are happy to have resolved this historical matter (pre-2016), which has consumed a significant amount of time and resource. Quality remains

a priority focus for our teams and we believe the quality initiatives we have undertaken in the past few years position us as best in class in this area.

We expect a more positive year in 2021, however, we remain cautious about the continuing impact of COVID on our economy, as was seen with the recent restrictions in Auckland. The work we have done over the past this year has provided us with greater resilience and strong platform with which to face the future.

We would like to acknowledge and thank our people for their efforts, support and ongoing positivity this year, despite the significant disruption to their jobs and their daily lives.

To all our shareholders, thank you for your ongoing support as we focus on lifting the performance of the company. We acknowledge it has been a bumpy road at times, however, your Board and our leadership team are committed to delivering value for our shareholders.

We wish you all a wonderful and safe summer break.

Susan Paterson, Chair

Mark Malpass, Chief Executive Officer

Welcome Karen Jordan, Independent Director

Steel & Tube is pleased to announce the appointment of Karen Jordan as an independent director, effective from 10 December 2020.

Karen has over 20 years corporate executive experience in the UK energy and infrastructure industry, in FTSE listed companies, and extensive governance experience.

Her professional expertise in finance, risk and audit, combined with her extensive experience in commercial strategy and business transformation will bring strong capability to the Board.

ANNUAL MEETING

Steel & Tube's 2020 Annual Meeting was held in Wellington in October 2020, providing the Board and management with an opportunity to meet our shareholders and provide an update on our progress. We also farewelled director Anne Urlwin, who has been a valued member of the Board for a number of years. All resolutions were approved by shareholders, including the re-election of Steve Reindler and Chris Ellis as Independent Directors.

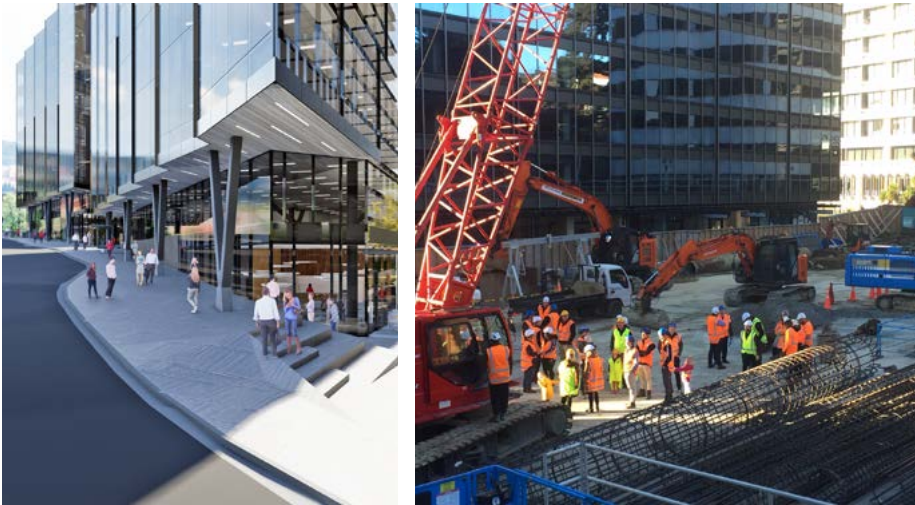
The presentation, speeches and a video of the meeting can viewed on the Steel & Tube website here:

<https://steelandtube.co.nz/investor/annual-meetings>.

FULL SERVICE PROVIDER

Providing a one-stop-shop for the most essential steel products – from floor to roof and everywhere in between.

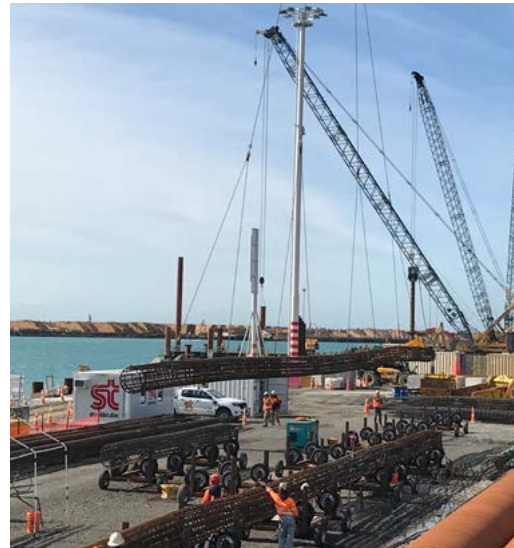
STRONG CUSTOMER PARTNERSHIP WITH L T MCGUINNESS



Busy times continue in Wellington for Steel & Tube, as we continue to align ourselves with well respected and well established businesses such as the great team at construction company, L T McGuinness.

Steel & Tube has supported the builds of a number of high profile major projects, such as the Wellington Convention centre where we supplied approximately 20,000kgs of Comflor SR, and reinforcing for the foundations in the extensive Bowen Campus development. Steel & Tube is looking to work even more closely with L T McGuinness, with the ability to offer a full range of steel solutions from the Reo in the ground to the last screw in the roof (and of course everything in between).

SAVING 100 DAYS AT NAPIER PORT



Napier Port is considered the shipping gateway connecting the centre of New Zealand with the people and markets of the world. Despite the disruption of COVID-19, Napier Port continued to move ahead with the Wharf 6 construction project, to provide capacity for the future.

Steel & Tube was appointed to supply the reinforcing for the expansion, with the supply of ~5,000 tonnes of reinforcing for piles and the wharf deck.

Our innovative pile construction methodology helped secure the contract by shortening the construction program by approximately 100 days and providing significant cost savings for the client. Long piles, like those required for this job, are typically made in segments that are then lifted and joined over the pile casing. This is a risky and time consuming process. Instead, we are making the piles to the final required length and lifting them into place in one lift. This is no small feat given many of the piles are over 40m in length!

The team of 10 onsite fixers was expanded by another 16 personnel in November, as work commenced to install reinforcing for the deck. Wharf 6 is due to be commissioned by the end of 2022.

- › Wharf 6, Napier Port
- › Steel & Tube Reinforcing
- › 5,000 tonnes of reinforcing

ABOUT OUR PRODUCTS: REINFORCING STEEL

Reinforcing steel is usually bar or mesh which is used to create the tension capacity in reinforced concrete. Reinforcing steel significantly increases the strength of a structure especially under earthquake loading. Its rough, (or deformed), surface profile promotes a better bond with the concrete that allows the two materials to work together structurally. Steel has significant advantages over other materials – it can be bent to shape after manufacturing, it is robust, it is easily recyclable at the end of a structure's design life, and it is compatible with concrete. Steel & Tube is one of the largest suppliers of fabricated reinforcing steel mesh, bars, ties, piles, beams, and columns for use by the New Zealand building and construction industry.



SHAG RIVER

Bridge 190 is located over the Shag River on the Main South railway line, near Palmerston. With a history of flooding and an unstable retaining wall, urgent work was undertaken to improve the bridge.

Steel & Tube provided 126 tonnes of steel reinforcing, with timber spans, piles, abutments and piers all being replaced and strengthened with steel reinforcing. The project started for Steel & Tube in November 2019 and was completed in October 2020. Throughout this time, the rail line remained in use, with minimal disruptions to rail transport during the project.

- › **Shag River, KiwiRail**
- › **Steel & Tube Reinforcing**
- › **126 tonnes of reinforcing**

NELSON WHARF



In early 2020, McConnell Dowell kicked off a multi-million dollar redevelopment of the Main Wharf North for Port of Nelson. This redevelopment will improve resilience of the Port, accommodate larger vessels and move the main wharf operations further away from residential neighbours.

Steel & Tube was contracted to provide 900 tonnes of steel reinforcing – that's the equivalent of about three 747 airplanes – for the construction of the new Wharf. The steel is being provided out of Steel & Tube's Christchurch plant, with the first load delivered to Nelson in November and work commencing this month.

- › **Main Wharf North, Port Nelson**
- › **Steel & Tube Reinforcing**
- › **900 tonnes of reinforcing**

MAKING IT EASY

Doing everything we can to make it easy for our customers to do business with us.



WEB PORTALS KEY PART OF KĀINGA ORA NATIONAL SUPPLY AGREEMENT

Steel & Tube Roofing has been awarded the National Supply Contract for Kāinga Ora for a four year period starting 1 July 2020.

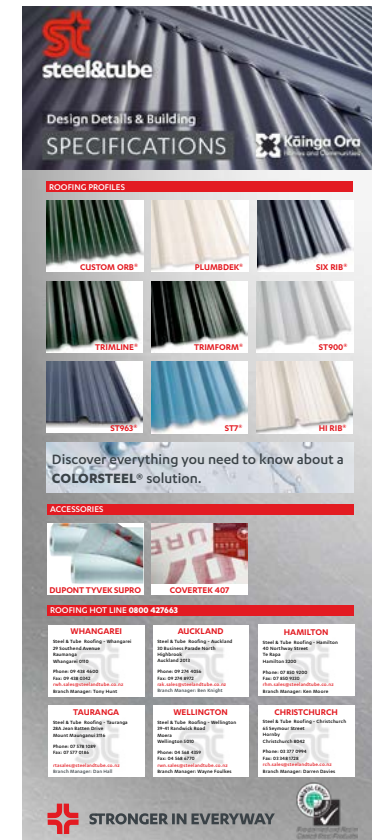
This is a significant contract for the Rollforming Business Unit and offers the opportunity to grow with additional Kāinga Ora work.

Part of the implementation of this contract was to set up the Kāinga Ora installers on the Steel & Tube Web portal. This allows them to easily place their roofing orders, along with a range of other functions and reporting which enables Kāinga Ora to better understand the procurement performance of the installers.

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This is a significant contract for the Rollforming Business Unit

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INNOVATION AND TECHNOLOGY

Use technology and great thinking to pull it all together and enable a better business.



STEEL & TUBE IS BREAKING AWAY FROM THE TRADITIONAL 'BRICKS AND MORTAR' INDUSTRY IN WHICH IT OPERATES AND IS LEADING THE DIGITAL CHARGE IN THE SECTOR TO MAKE LIFE EVEN EASIER FOR ITS CUSTOMERS.

Our strategy is directed towards becoming a digitally-enabled business that uses technology to meet and exceed customer expectations, with better delivery performance, customer service and ease of doing business as well as more efficient operations.

Webshops take off

To say Steel & Tube's webshops have tapped into an area of unmet demand by our customers for digital tools would be an understatement. There are now several thousand registered users with pleasing growth in usage and sales. We are continuing to invest in our webshop platform with a range of new features arriving over the coming months. These include a number of enhancements for our trade shop and cash account customers, search improvements, inventory inquiry enhancements and implementation of Stanley our chatbot to provide assistance while ordering.

Better understanding our customers

We have invested heavily in our digital platforms and with this comes the added

benefits of being able to gain a deeper understanding of our customers' use and requirements of our products, sales and service channels.

We are also gaining a much greater insight into customer purchasing patterns, channel preferences and product consumption behaviour. For example, we can identify which products are typically purchased together in various market segments and provide tailored pricing and product promotions. This can be completed in near real time and provides opportunities to get immediate feedback on how specific offers and promotions are performing in the market. Over time, this will provide new ways of creating value for our customers and S&T.

BETTER WAYS OF WORKING

Always looking for ways to work smarter.



DELIVERING CUSTOMER EXCELLENCE

Michelle Kingham is leading the way in Customer Excellence for Steel & Tube's Distribution business, as the Manager of the revamped National Customer Experience Team.

Steel & Tube has been on a journey to transform how it delivers customer excellence, but COVID-19 accelerated the process, with a rapid deployment of new call centre technology and the establishment of a remote working environment that is now a successful part of the team's operations.

With more than 50 people across three regional hubs and several specialised teams, the customer experience team takes calls and emails from more than 100 customers each day, as well as following up on multiple webshop orders and providing expert advice.

The call centre technology was implemented just two weeks before the March lockdown but was the saving grace for the business, says Michelle. It's providing more indepth customer insights, allowing for better workforce management and more functionality is being added all the time.

Steel & Tube is leading the way with digital, in what is a very traditional industry. The next big thing will be adding a live chat function, in addition to Stanley the chatbot, and introducing new CRM technology to better manage customer relationships.

ONE TEAM

Building one great team right across the Steel & Tube business.

PARTNERSHIP WITH PAKURA HIGH SCHOOL

A great collaboration between Steel & Tube, MBIE, Manukau Jobs and Skills Hub and Papakura High School has seen a work place experience turn into real employment for three students.

The students spent a series of days going to different Steel & Tube sites to learn about the end to end process of steel manufacturing and production. Year 13 student, Rodney, received his forklift license through Papakura High School and was excited at the opportunity of being able to use it at Steel & Tube. His enthusiasm and hard work has paid off and he was the first to sign a contract with the company to start full time employment.

Two other students are also starting work once the school year ends.



INSPIRING OTHERS

In July, Steel & Tube participated in a Ministry of Education Employer's Showcase at Lynfield College. This provides students with the opportunity to hear about different career opportunities in a variety of sectors.

Steel & Tube's Auckland Roofing Branch Manager, Ben Knight, and Production Manager, Petra Woods, spoke to the Year 11 students about their typical day and career path.

Ben Knight related his 21-year history with Steel & Tube, outlining his career path from Purlins Customer Service Officer through to Purlins Manager and his current role as Auckland Roofing Branch Manager. He spoke of the value he has received through Steel & Tube's strong

development opportunities such as the Lead to Succeed Program.

Petra Woods was a strong and inspiring role model for the students as she explained her passion for Operations and Production management. Petra's aim is to "turn her team into a family that supports each other for their personal growth and for the betterment of the business". Steel & Tube look forward to welcoming a student for a work experience day soon.



LAUNCH OF MYSKILLS LIBRARY

A new online employee library has been launched, providing a learning platform for all employees. Courses range from using Steel & Tube's IT platform through to leadership training, finance, goal setting and quality compliance. Seventy users had signed up within the first five days of launch, with interest across the company. Course content

will continue to be developed and the site will also enable mandatory training, such as health and safety and cybersecurity, for those in particular roles.

OUR COMMUNITY



REO MORPHS INTO STUNNING STAG SCULPTURE

Napier artist, Glen Colechin, has always had a personal vision of creating a full-sized Stag. So, when he was tasked with creating a sculpture for the Kings College art show in 2019, Glen was given the perfect opportunity to bring this creative vision to life.

When it came to choosing materials for his special project, Glen purchased all his products from Steel & Tube in Napier. He chose to use black steel reinforcing, so that as it weathered, it would create a beautiful copper aesthetic. The reo also 'gave the line a rough look' according to the artist.

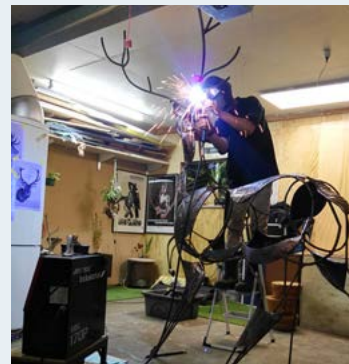
Glen bent the reinforcing by hand and welded it himself in his garage. The bulk of the main stag structure was created by bending the product around a lamp post on his street; living up to the iconic kiwi DIY nature.

When it came to installing the project on site, Glen also made pegs out of Steel & Tube reinforcing. The sculpture sold in less than 10 minutes at the art show and is now being displayed on a winery on Waiheke Island.

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OUR PURPOSE:

To make life easier for our customers needing steel solutions

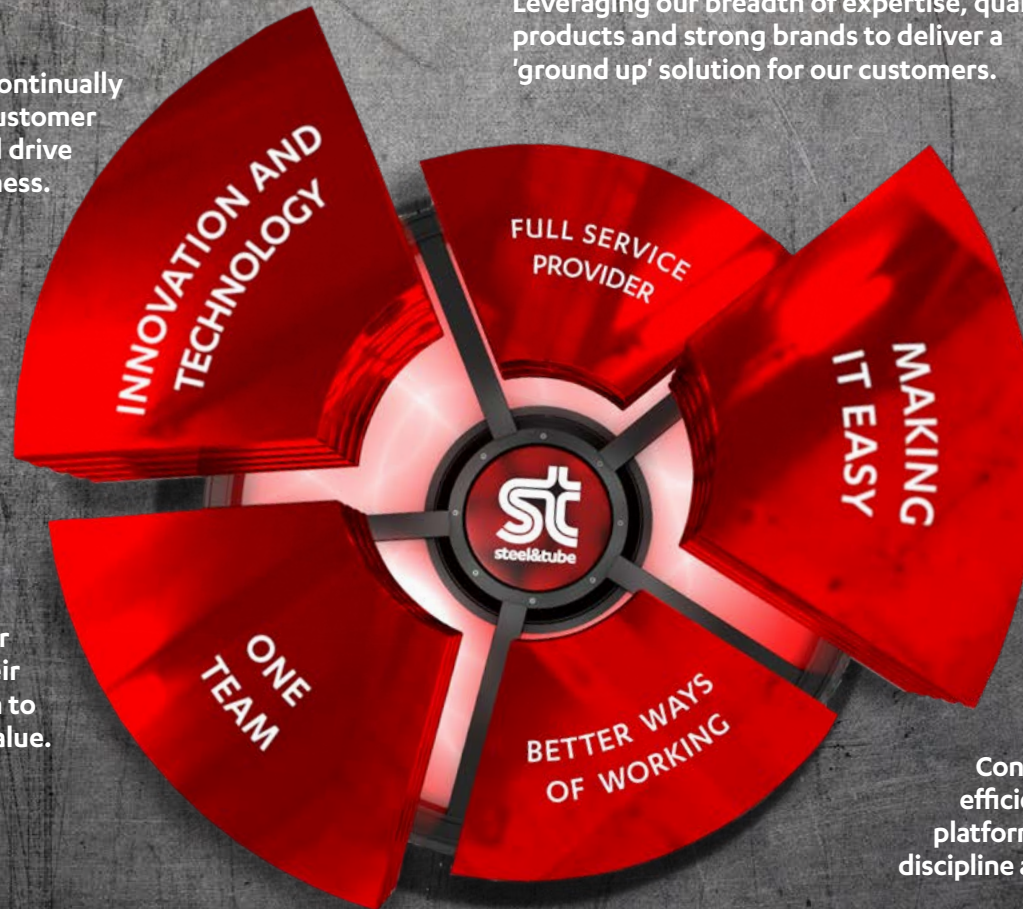
Embracing new technology and continually innovating to deliver on our customer and partner strategies - and drive greater efficiency in our business.

Leveraging our breadth of expertise, quality products and strong brands to deliver a 'ground up' solution for our customers.

Delivering the information, expertise, purchasing options and communication channels that make it easy for our customers.

Aligning our staff and our businesses behind a common purpose, investing in staff development, recognising their contributions and growing their talents, and empowering them to add more customer value.

Continually improving to ensure an efficient and effective operational platform with strong operational discipline and excellent customer service.



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www.steelandtube.co.nz/enews

